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INTELLIGENCE MEMORANDUM

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THE SOVIET MID-1954 PLAN FULFILLMENT REPORT

CIA/RR IM-405

20 December 1954

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THE SOVIET MID-1954 PLAN FULFILLMENT REPORT*

Summary and Conclusions

The mid-1954 Soviet plan fulfillment report indicates that significant expansion of production was achieved in the first 6 months of 1954 throughout the Soviet economy.

Gross industrial production was 14 percent higher than in the first 6 months of 1953. Even if this relatively high rate of growth is not maintained, the 1955 goal probably will be overfulfilled. Production of the "leading links" -- the energy and metallurgy sectors -- was approximately on schedule, and most of the 1955 goals in these sectors will be met. Output of most fabricated metal products increased, with appreciable gains in agricultural machinery. Output of building materials continued to lag behind planned goals, jeopardizing construction plans, and the reported gains in chemicals production were unimpressive. Production of most food products lagged well behind proposed output.

Although fulfillment of the 5-year rail transport goal seems certain in 1954, rail traffic failed to meet the targets set for the first half of 1954, partly because of a shortage of freight cars and also, probably, because of the severe winter of 1953-54. A moderate rate of growth is estimated through 1955, after which an upswing in the declining rate of growth evidenced in the Fifth Five Year Plan (1950-55) is expected.

The initial phases of the new programs in agriculture, consumer goods, and trade are being implemented successfully. Agricultural sown area has been increased by about 6 percent, mainly as a result of overfulfillment in the reclaimed and virgin areas. Herds of livestock, especially in the private sector, show appreciable gains, indicating that the incentive measures adopted in 1953 have been to some extent effective. In the immediate future, however, food supplies

* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 1 September 1954.

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will not increase significantly, since food-crop yields will remain low because of unfavorable weather conditions in major producing areas and inadequate supplies of mineral fertilizers. Present emphasis on herd build-ups precludes any substantial increase in meat supplies.

Planned increases in output of clothing and footwear were achieved during the first 6 months of 1954, and progress was made in improving quality, an aim which is being emphasized. Production of consumer durables, including appliances, increased sharply, but the volume remains low, and luxury prices prevail. Retail trade has grown, partly because of production increases and partly because of an increase in the proportion of the more expensive items, a rise in imports, and releases from stockpiles. The expansion of the trade network in both urban and rural areas should assure wider distribution of goods, but prices for foodstuffs and manufactured goods, in general, have remained above the 1940 level.

The 1955 goal for the industrial labor force probably will be achieved in 1954, even if the transfer of collective farmers to state agriculture in 1953 is regarded as a bookkeeping transaction. Heavier employment of essentially marginal employees, primarily women and older people, is responsible for the premature fulfillment of the plan. Abandonment of Fifth Five Year Plan goals for labor productivity in industry and construction is a tacit acknowledgement that the goals cannot be met, given the existing trend in the composition of the labor force. Shifts of industrial workers to agriculture are being carried out successfully. Despite the skills which these workers will bring with them, over-all agricultural productivity will remain low.

Capital investments appear to have recovered from the adjustments and shifts undertaken in 1953 in connection with the revised policies toward agriculture, consumer goods, and trade announced in the months following the death of Stalin. Investments in heavy industry and trade are approximately meeting plan requirements, but investments continue to lag in those sectors of the economy which need bolstering housing, agriculture, and the light and food industries. Although 1955 volume goals for capital investment may be achieved, inability to increase labor productivity and reduce costs to planned levels indicates that the program will be more expensive than originally planned.

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It is evident that the continued growth of the Soviet economy is being achieved by above-plan additions to the industrial labor force and by a great expansion in agricultural sown areas, since both industrial labor productivity and crop yields are well behind planned goals. Extensive capital investments should assure at least a moderate rate of growth in the economy through 1955. Despite present emphasis on increasing food supplies and consumer goods, which should be considerably more plentiful in the next few years, Soviet planning will continue to stress heavy industry rather than the light and food industries.

I. Industry.

Soviet plan fulfillment reports regularly include a table giving the production of a large number of commodities as a percent of production during the previous comparable period. These figures are accepted as measures of changes in production of the reported products or product groups. In evaluating these data, of course, allowances must be made for commodity coverage, selective omissions, peculiarities of the base period, and the like. The reported statistics on increases in gross industrial production are less useful, since the weighting system employed is unknown. They do, however, provide a rough measure of the direction and size of change. For example, reported annual increases in gross industrial production averaged 22.4 percent during the Fourth Five Year Plan (1946-50) and only 13 percent during the first 3 years of the Fifth Five Year Plan. These statistics are also useful because they represent one of the principal yardsticks by which economic growth is planned and measured in the USSR. Data on increases in industrial production planned and claimed by the USSR during the Fifth Five Year Plan period are shown in Table 1.*

The USSR is virtually certain to overfulfill its 1955 goal for gross industrial production. Even if the 14-percent increase in the first half of 1954 over the same period of 1953 is not maintained, only a 9-percent gain is required in both 1954 and 1955.

* Table 1 follows on p. 4.

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Table 1

Increases in Industrial Production in the USSR
in the Fifth Five-Year Plan Period (1951-55) ^{a/}*

Item	Achieved Annual Increases			Planned Increase 1955 over 1950	Rate of Annual Increase Required 1954-55	Achieved Increase First Half of 1954 over First Half of 1953	Percent
	1951	1952	1953				
Gross industrial production	16	11	12	70	9	14	
Pig iron	14	14	9	76	11	6	
Steel	15	10	10	62	8	9	
Rolled steel	15	12	10	64	8	9	
Zinc	15	24	13	159	24	7	
Lead	25	17	22	170	23	15	
Coal	8	7	6	43	8	8	
Oil	12	12	12	85	15	10	
Electric power	14	13	13	80	11	11	
Steam turbines	10	8	40	130	18	12	
Large hydroturbines	145	24	35	680	38	104	
Chemical equipment	38	28	24	230	23	15	
Caustic soda	8	11	15	79	14	11	
Soda ash	9	21	19	84	8	12	
Mineral fertilizers	7	8	9	88	22	11	
Synthetic rubber	20	9	13	82	11	1	
Cement	19	15	15	120	18	15	
Bricks	20	19	12	130	20	13	
Slate	27	26	22	160	16	21	
Paper	12	9	10	46	5	9	

* Footnotes for Table 1 follow on p. 5.

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Table 1

Increases in Industrial Production in the USSR
in the Fifth Five Year Plan Period (1951-55) ^{a/}
(Continued)

Item	Achieved Annual Increases			Planned Increase 1952 over 1950	Rate of Annual Increase Required 1954-55	Achieved Increase First Half of 1954 over First Half of 1953
	1951	1952	1953			
Cotton fabrics	22	6	5	64	10	3
Silk fabrics	34	29	78	340	20	57
Woollen fabrics	13	8	2	68	13	19
Bicycles	78	43	15	450	37	30
Radio receivers	16	6	27	325	44	107
Meat	12	15	12	100	18	2 b/
Vegetable oil	12	9	16	92	17	17
Canned food	38	11	14	122	22	5
Grape wine	24	28	24	139	11	10
Beer	16	6	13	80	14	13
Confectionery	16	12	29	84	5	5
Cigarettes	13	12	16	72	8	13

a. This list is selected from those products for which the USSR has announced the Fifth Five Year Plan goal and increases in 1951, 1952, 1953, and the first half of 1954. Revised goals have been used. For sources, see introductory remarks in Appendix C.

b. Meat and sausage products.

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Although some difficulties have appeared in the nonferrous metals sector, production of the "leading links" of Soviet industry -- the energy and metallurgy sectors -- is approximately on schedule, and most of the 1955 targets probably will be met. Production of steel and rolled metal is running slightly ahead of plan. Although production of pig iron was only 6 percent above the first half of 1953, as opposed to the 11-percent increase required in 1954 and 1955, the comparison may be unduly unfavorable. Production in the first half of 1953 appears to have been abnormally large; the half-year rate of growth in that year was 12 percent, but the annual rate was only 9 percent. Although the 1955 target may not be met, continued exports of pig iron to several Western countries indicate an adequate domestic supply.

Among nonferrous metals the increases in the production of lead and zinc are behind those required by plan, possibly because of lagging smelter construction and mine development work. The Ministry of Nonferrous Metallurgy was singled out for notable under-fulfillment of its capital investment plan. A decline in investment in nonferrous metallurgy is suggested by the fact that the mid-1954 report gave a figure for changes in ferrous metallurgy only; previous reports had consistently presented these data for ferrous and nonferrous metallurgy combined. Omission of copper from the mid-1954 report, as well as from the 1953 annual report, is a possible indication of poor performance. Data on aluminum, however, probably were omitted for reasons of security -- because of the relation of aluminum to aircraft production -- since domestic production is estimated to be quite adequate and increasing at a satisfactory rate.

In the energy sector the production of coal and electric power is approximately on schedule, and fulfillment of the Five Year Plan goals is expected. In the case of electric power, fulfillment probably will require continued high levels of plant operation, which would offset the anticipated failure to meet the original target for a doubling of installed capacity. Attainment of petroleum targets will require increases in 1954-55 somewhat in excess of those reported to date. The 40-percent gain in the production of diesel fuel is in keeping with estimated civil requirements, whose rapid growth reflects sharp increases in the diesel tractor park.

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Among the chemicals group, increases of 11 percent in the production of caustic soda and 12 percent in the production of calcined soda have been made possible by introduction of new capacity, and fulfillment of Five Year Plan goals is probable. Gains of only 1 and 2 percent, however, in the production of synthetic rubber and dyes, respectively, are well below planned targets. The production of mineral fertilizer, which increased by 11 percent in the first half of 1954, continues to run far behind plan. The consequences of underfulfillment of this target will be strongly felt in agriculture and will exercise a severe limitation on the ability of the economy to achieve certain agricultural goals.

It is evident that rapid expansion in the production of units for hydroelectric plants is being achieved only at some sacrifice to growth of thermal capacity. The production of large hydroturbines in the first half of 1954 was twice production in the corresponding period of 1953, and the production of hydrogenerators rose by 34 percent, while the production of turbogenerators increased by only 4 percent and steam turbines by 12 percent.

Gains of 10 percent in the production of trucks and 27 percent in the production of automobiles are roughly those reported for 1953 over 1952. Omission of these commodities in 1951 and 1952 suggests declines for these items in the early years of the Fifth Five Year Plan.

The data for cement and bricks show continued failure to reach the rates of increase required by the Fifth Five Year Plan. Nor is there any indication of significant improvement in the chronically lagging timber industry.

Among consumer durables, where the production bases are low, the mid-year increases are the largest for any commodity grouping. Production of civilian radio receivers, for example, rose by 107 percent over the first 6 months of 1953, as against an annual increase of 95 percent required to meet the revised 1954 goal. The largest gains were achieved in refrigerators (216 percent), vacuum cleaners (349 percent), and television receivers (188 percent), although the last item is running somewhat behind schedule. Absolute output of these commodities, of course, is still small.

Production plans for all fabrics -- cotton, wool, and silk -- were fulfilled in the first half of 1954, and attainment of the

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Fifth Five Year Plan's targets is expected.* Particularly rapid progress is evident in the silk industry; if the half-year rate of increase is maintained, the revised 1955 goal will be exceeded this year. The most important goals of the light industry program are higher quality products and wider assortment. Considerable progress in this direction is indicated by the increases in quality products, which in many cases outstripped production gains.

The poorest performance in the first half of 1954 occurred in the processed foods industry. Table 2** compares increases in output of selected food products in the first half of 1954 over the same period in 1953 with the gain required to meet the annual 1954 goals of the new economic program.

Production increases in all these commodities, with the exception of vegetable oil, were far below the rates required to meet these revised goals. The method of reporting used -- the use of a single figure for meat and sausage and the omission of figures for animal fats and sugar*** -- is a further indication of serious difficulty. Production of meat has been held down by a change in the livestock census date, which tended to move slaughtering from early 1954 back into late 1953, and by implementation of state policy for an increase in herds. Moreover, an offsetting gain was not achieved in the production of fish, which rose only 13 percent above the extremely poor record of the first half of 1953.**** Thus the measures introduced

* The increase in the production of cotton fabrics for the half-year was 3 percent, against the 10 percent per year required in 1954 and 1955 to reach the Five Year Plan goal. Nevertheless, the USSR reported overfulfillment of the half-year plan. The reason for this apparent discrepancy is that six new combines were scheduled to come into partial production in 1954 and into full production in 1955. Thus, instead of the constant rate of growth assumed in Table 1, the planned rate of growth accelerates in the second half of 1954 and again in 1955.

** Table 2 follows on p. 9.

*** In 1953 the production of both animal fats and sugar was less than planned.

**** Fish output in the first half of 1953 was 98 percent of output in the corresponding period of 1952. It is interesting to note that, in 8 annual and 2 semiannual plan fulfillment reports, this is the only instance in which the USSR has reported in its production tables a decline in output.

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Table 2

First Half-Year Increases and Planned Yearly Increases
in the Production of Selected Food Products in the USSR
1954

<u>Product</u>	<u>Increase First Half of 1954 over First Half of 1953 ^{a/}</u>	<u>Percent</u>	<u>Planned Increase 1954 over 1953 ^{b/}</u>
Meat	2 9/	21	
Milk products	10	21	
Cheese	5	25	
Animal fats	d/	31	
Vegetable oil	17	18	
Sugar	d/	42	
Confectionery	5	12	

a. For sources, see introductory remarks in Appendix C.

b. See Appendix A.

c. Meat and sausage products.

d. Not reported.

last year to stimulate agricultural output have thus far failed to produce the anticipated results in the processed foods industry.

II. Agriculture.

Despite the "new course" in the agricultural economy of the USSR, which was outlined in a series of decrees during 1953, prospects for increased food supplies in 1954 have not appeared to be too favorable. Production of basic foodstuffs -- including meat, fish, dairy products, sugar, and canned goods -- has been behind schedule. Omission of sugar and butter from the report is indirect evidence of poor performance in the production of those commodities. Large increases in the sown area were offset by unfavorable weather conditions in major producing areas, where yields appeared to be below normal. The reported increase of 9.5 million hectares in the sown area over 1953

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is the largest annual increase in the Fifth Five Year Plan period. Although this is about a 6-percent increase in the total sown area, it is quite possible that this increment may include extensive areas of winter-killed, fall-sown grain crops. The actual increase may thus be less than claimed. For example, an increase in spring-sown crops of 1.37 million hectares was reported in Kazakhstan, but it was later stated that the increase in harvested acreage for 1954 would be less than a million hectares. Plowing of virgin and unused lands and lands formerly sown in perennial grasses or relegated to fallow could help account for the large increase in sown area.

A. Crops.

Of the reported increase of 9.5 million hectares in the sown areas, 6.4 million hectares were sown to spring grains, of which only 3.6 million hectares, however, were sown to spring wheat. Most of the remaining area of 2.8 million hectares was probably sown to fodder grains for livestock feed; corn acreage alone increased 756,000 hectares. Attempts to increase grain production in the newly reclaimed areas have met with great success; the sowing plan of 2.3 million hectares was overfulfilled by 55 percent, and there were prospects of a good harvest in these areas. The original 1955 goal of 13 million hectares is certain of fulfillment because of fallow plowing already completed. 1/* A recent decree which increased the goal to 15 million hectares probably is related to the current success in those areas. 2/

Although incentive measures for grain farmers were recently adopted, in keeping with those effected earlier for the production of potatoes and vegetables and livestock, 3/ preliminary estimates indicated that the 1954 grain crop would only approximate the below-normal 1953 crop.

Sown acreages of technical and oil-bearing crops have been expanded, and this expansion should increase the raw material base provided by those crops. Extension of the area sown to cotton by 354,000 hectares should boost the production of cotton fiber significantly in 1954, 4/ since most of the increase is believed to be in the more productive, irrigated regions.

* Footnote references in arabic numerals are to sources listed in Appendix C.

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Considerable expansion of the sown area devoted to potatoes and vegetables is indicated by an increase of 84,000 hectares in potato sowings alone. 5/ The sowing plan, however, was underfulfilled, and it is doubtful, therefore, that increased production plans were met. As an added inducement to farmers, recent retail price changes have been decreed which make it more profitable for farmers, as well as for trade organizations, to store potatoes, fruits, and vegetables for sale in the off-season. 6/

B. Livestock.

In general, livestock numbers were greater on 1 July 1954 than they were 12 months earlier. It is estimated that cattle numbers were between 65 million and 70 million head, of which about 27 million were cows, and that swine, with a 13-percent increase over 1953, totaled between 40 million and 45 million head. Although flocks of sheep owned by collective farms decreased by 3 percent because of large winter losses, an over-all increase of 3 percent was made possible by a sharp increase in the private holdings of collective farmers.

Although it is too early to assess the degree of success of the "new course" in the Soviet livestock industry, it appears that the incentive measures outlined in the livestock decree of September 1953 are bringing about the desired results. In 1954, for the first time since 1949, changes in private holdings of livestock were reported, with specific increases claimed. Although the 7-percent increase in cows held by collective farmers was less than that reported for the socialized sector, the increase in absolute numbers was probably greater because over 60 percent of all cows are owned privately in the USSR. With a 15-percent increase in calves owned by collective farmers, the proportion of cows held in the private sector should continue to increase in the future. Private holdings of swine and sheep show significant increases of 26 and 35 percent respectively over 1 July 1953.

It is evident that the Russians are making genuine attempts to increase future supplies of meat, but it also is obvious that the building up of herds precludes increased slaughterings of livestock. Immediate supplies of meat will not be increased significantly. The meat and dairy industry reported only 90 percent of plan fulfillment for the first 6 months of 1954. The production of meat was cloaked in the combined reporting of meat and sausage products, which

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increased only 2 percent over the first half of 1953. It would be impossible, in any event, to estimate the annual production of meat on the basis of the mid-year plan fulfillment report, for two reasons: (1) herds are fattened during the spring, summer, and early fall months, and (2) slaughtering has been shifted from the first quarter to the last quarter of the year.

C. Machinery.

Although some categories of agricultural machinery were not reported in the mid-year report, production in the first half of 1954 shows in general appreciable gains over the first half of 1953, as shown in Table 3.

Table 3

First Half-Year Increases in the Production
of Agricultural Machinery in the USSR
1954

Item	Percent
Tractors	19
Tractor plows	11
Tractor cultivators	1
Self-propelled mowers	57
Cotton-harvesting machines	37
Grain-cleaning machinery	17
Sugar beet combines	101

The 6-month production plans for tractors, potato planters for square-cluster planting, tractor-drawn seed drills, sugar beet combines, grain-cleaning machinery, self-propelled mowers, potato-harvesting combines, cotton-harvesting machines, and complex threshers were reported overfulfilled.

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The 19-percent increase in tractor production is probably due to the emphasis on increasing production of cultivating tractors. Conversion of this increase into 15-horsepower (hp) units would probably lower the increase considerably. Although the Fifth Five Year Plan goal of a 19-percent increase over 1950, 7/ which is believed to be in 15-hp units, was revised upward in 1953, it is estimated that the original 1955 goals will be met in 1954. Deliveries of 92,000 tractors -- in 15-hp units -- to agriculture in the first half of 1954 is a 17-percent increase over the 1953 annual rate. This increase is almost identical to the one which would be expected in order to meet the revised 1957 goal.

Since the production of grain combines was omitted from the mid-1954 report, an expected decrease in production may be taking place. Assuming the delivery rate of 18,000 units to agriculture in the first 6 months of 1954, of which 8,500 are self-propelled, to be actual production, production in 1954 will be about 5,000 units less than the 1953 production of 41,000 units if this rate is maintained. 8/

Production of potato-harvesting combines and sugar beet-harvesting combines has been emphasized only during the past 2 years. Mass production of potato harvesters was begun only in January. Since output of 5,000 units was termed an overfulfillment of the plan, the expected increase in the rate of production should insure achievement of the 1954 plan figure of 15,000 units. 9/ The 101-percent increase in sugar beet combines is double the annual rate of increase scheduled for 1954, * 10/ and overfulfillment of the plan may be expected.

Although a 37-percent increase in the output of cotton-harvesting machines was reported, actual production in the first half of 1954 was only 90 percent of the goal for the first half of 1953, which was fulfilled by only 65 percent. 11/

Production of self-propelled mowers in the first half of 1954 is assumed to have been 4,000 units, the number delivered to agriculture. It is evident that output was previously at a low level, for this number represented a 57-percent increase over production in the first half of 1953. The 1954 plan of 7,500 units 12/ is certain of overfulfillment if the present rate of production is maintained.

* The scheduled increase in 1954 was to be 50 percent greater than 1953.

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If deliveries to agriculture are accepted as production, output of tractor-drawn mowers in the first half of 1954 would have been 11,000 units. Since the 1954 plan figure is 19,000 units, ¹³ it appears that the rate of production in the first half of 1954 was higher than planned. The mid-year report did not, however, mention either an increase over the first half of 1953 or overfulfillment of the half-year plan. It is possible that a greater proportion of the machines was to be produced in the first half than in the second half of 1954 and that the plan was not met.

Contrary to expectations, the production of tractor plows and tractor cultivators increased, by 11 and 1 percent, respectively. Decreases had been expected because of the already high level of mechanization achieved in plowing and cultivating. The increases are indicative of the added requirements necessitated by the increased acreages to be plowed in 1954 and 1955. Estimated production in 1954 will still be lower than in 1951, the postwar high year.

Despite significant increases in agricultural machinery production, some of these gains are offset by poor maintenance and lack of adequate shelter from the weather, which result in premature deterioration of machines. Poor labor organization and inefficient utilization, which contribute greatly to low agricultural productivity, have been topics of chronic criticism of the agricultural economy in the past.

D. Fertilizers.

As far as is known, the Fifth Five Year Plan goals for mineral fertilizers were not revised. On the basis of the announced goal of an 88-percent increase and the percentage increases reported from 1951, an annual rate of increase of 22 percent in 1954-55 is necessary to fulfill the 5-year goal (see Table 1*). Recently announced plans for large production increases in 1959 and 1964 will not affect production rates under the Fifth Five Year Plan, since planning and construction of new plants generally takes from 3 to 6 years.

The 11-percent increase reported for the first half of 1954 over the first half of 1953 is termed an "overfulfillment" of the plan. Although an 88-percent increase is scheduled during the 5-year

* P. 4, above.

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period, ^{14/} this increase does not have to occur evenly over that period. It is possible that the yearly plan has been revised or that a greater increase is scheduled for the last half of 1954 and 1955, since new production facilities scheduled in the Fifth Five Year Plan would probably be put into operation in the last year or two of the plan.

The 11-percent increase will not allow for a change in the present pattern of fertilizer use -- 80 percent for cotton and sugar beets. The fact that lime, as usual, is not mentioned is further indication that soil productivity in the areas of adequate precipitation will continue at present low levels.

Although the supply of local fertilizers should become more plentiful as a result of the livestock increases, it is plainly evident that increases in food crop production in 1954 and the next few years must come from the expansion of sown areas rather than from increases in the production of mineral fertilizers.

III. Capital Investment.*

The volume of Soviet capital investment in the first half of 1954 was 14 percent higher than in the corresponding period of 1953. This is the largest such increase reported during the Fifth Five Year Plan, but this high rate of increase is in great part explained (and offset) by the relatively low rate of increase achieved during the first half of 1953. Investment in the latter period was only 4 percent higher than in the same period of 1952, principally because of project suspensions, new project planning, and resource reallocation involved in the shift of investment plans which followed Stalin's death. Nevertheless, as shown in Table 4,** the achieved rate of increase, if maintained through 1954, should completely offset the shortfall in investment in 1953 and leave only an 8.6-percent increase in 1955 over 1954 required to fulfill the goal of the Fifth Five Year Plan.

* Plan fulfillment reporting of capital investment is in gross terms. Capital repairs and collective farm investment are excluded. The unit of measure is volume increases computed in constant 1945 prices. ^{15/}

** Table 4 follows on p. 16. See Appendix B for computations and further discussion.

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Table 4
 Annual Increases in Capital Investment
 in the USSR
 in the Fifth Five Year Plan Period a/
 (1951-55)

	Percent
1951	12
1952	11
1953	4
1954 b/	14
1955 c/	8.6

a. See Appendix B.
 b. Half-year rate.
 c. Required, if 14-percent increase
 is maintained throughout 1954, to meet
 the goal of the Fifth Five Year Plan.

The Fifth Five Year Plan calls for an increase in volume of investment during the period 1951-55 of 90 percent in comparison with investment during the Fourth Five Year Plan period (1946-50). Table 18* indicates progress toward this goal. The Plan also provides, however, that investment expenditures should increase by only 60 percent, with the remaining 30 percent to be covered by lowered costs derived from increased labor productivity, lowered overhead expenditures, and lowered prices of building materials and machinery. In other words, decreased construction and machinery costs are to increase the value of the current investment ruble to an extent that the expenditure of 60 percent more measured in current rubles would result in 90 percent more investment measured in constant rubles.

Although the investment volume goal of a 90-percent increase seems likely of achievement, the cost of this program will be a great deal more than planned. Instead of making investment expenditures only 60 percent greater than in the years 1946-50, the USSR will probably spend at least 80 percent more.** Reports on the plan for cost

* P. 39, below.

** This figure is based on estimated actual expenditures in current rubles. Estimates are made on the basis of information on announced volume increases in total investment and cost changes.

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reduction in construction show chronic failure to meet annual targets. The 5-year goal for labor productivity in construction, calling for an output per construction worker in 1955 of 55 percent more than in 1950, has in fact been abandoned. Table 5 indicates that, in order to recover the lags of 1951-53, labor productivity would have to rise by about 13 percent in 1954 and again in 1955 to meet this target. Instead, however, Finance Minister Zverev in his April budget address reported that the 1954 plan called for an 8.6-percent increase in construction labor productivity, 16/ indicating that no hopes are entertained of recovering the ground lost earlier in the Plan period.

Table 5

Planned and Achieved Annual Increases
in Construction Labor Productivity
in the Fifth Five Year Plan Period (1951-55) a/

	Percent
1951	10
1952	7
1953	4
1954-55 <u>b/</u>	13
1954 <u>c/</u>	8.6
1954 <u>d/</u>	7

a. For sources, see introductory remarks in Appendix C.

b. Required annually to meet the goal of the Fifth Five Year Plan.

c. Annual plan figure.

d. Half-year rate.

Construction, which, according to Soviet policy and practice, has regularly accounted for about 60 percent of total investment, is advancing less rapidly than investment as a whole. In 1953, underfulfillment of the construction plan by 15 percent 17/ caused a slight absolute decline in the volume of construction, 18/ and overfulfillment of equipment deliveries was required to achieve the 4-percent rise in total investment. Cutbacks made in 1953 in the grandiose projects of the "Stalin Plan for the Transformation of Nature" tended to lower the construction component of investment

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relative to the equipment component. Neither of the two contract construction ministries fulfilled the plan in the first half of 1954. It is possible that the USSR, faced with mounting difficulties in maintaining the pace of construction increases, growing reequipment needs, and a relatively advanced capital goods industry, has altered the planned 60:40 ratio of construction to equipment in investment programming.

Investment increases by industry and economic sector in the first half of 1954 over the same period of 1953 are shown in Table 6.*

Table 6

First Half-Year Increases
in the Volume of Capital Investment
in the USSR
1954

Sector	Percent
Electric power	18
Coal	23
Ferrous metallurgy	3
Machine building	16
Construction materials	10
Timber and paper	25
Light and food industry	48
Transport and communications	8 a/
Agriculture	53
Trade and cooperatives	130 b/
Housing	20

a.. Transport only.

b.. Trade only.

These increases are in terms of constant 1945 prices and therefore cannot with precision be compared to 1954 planned increases,

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which were given by Zverev in terms of planned expenditures of current rubles. The comparisons shown in Table 7,* however, are reliable enough to use as a basis for estimating whether or not fulfillment seems likely on the basis of performance in the first half year. The 6-month figures for heavy industry suggest that the prospects for achieving a 12.5-percent increase in investment expenditures are good. Similarly, the modest planned increases in investment in transport and trade are likely to be achieved, but the ambitious programs for centralized investment in the light and food industries, agriculture, and housing appear to be in danger of underfulfillment.

Investment in ferrous metallurgy was only 3 percent greater in the first half of 1954 than in the corresponding period of 1953. The planned increase is unknown, but it is estimated that, in order to support planned levels of output, the industry required 11 percent more capital in 1954 than in 1953.** Barring a change in investment plans, substantial underfulfillment for 1954 is indicated.

The 1954 investment plan calls for a renewed emphasis on investment in the coal industry. During the 1946-49 period, this industry

* Table 7 follows on p. 20.

** The capital requirements estimates were derived as follows:

- a. Changes in iron and steel production were computed from production estimates. (The production estimates through 1953 are based on official Soviet announcements. The 1954 production estimate was derived by interpolation between the 1953 estimate and the forecast for 1955 production, which is slightly below the Fifth Five Year Plan goal.)
- b. Iron and steel production increases due to increased productivity of the existing capital were estimated. (This productivity estimate was subsequently confirmed in the half-year plan fulfillment report.) They were then deducted from the total increases in production. The remainder was taken to be production for which new capital was required.
- c. The estimates of output from new capital were multiplied by capital-output ratios derived from US data. The resulting figures are estimates of requirements for new capital in the Soviet ferrous metallurgy industry, expressed in 1952 dollars.
- d. Estimated replacement capital requirements were added to the requirements for new capital to obtain total capital requirements.

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Table 7

Planned Increases in Investment Expenditures and Reported Increases
in the Volume of Investment
in the USSR
1953-54

Sector	Actual 1953 Expenditures (Billion 1953 Rubles) ^{a/}	Planned 1954 Expenditures (Billion 1954 Rubles) ^{b/}	Planned Annual Increases in Expenditures Over First Half of 1953 (Percent) ^{c/}		Actual Increases in Expenditures First Half of 1954 Over First Half of 1953 (Percent) ^{d/}
			in Expenditures (Billion 1953 Rubles) ^{e/}	in Expenditures (Billion 1954 Rubles) ^{f/}	
Heavy industry	80	90	12.5	12.5	48
Light and food industry	7.6	14	84	84	53
Agriculture	12	21	75	75	130 ^{c/}
Trade and cooperatives	2	4	100	100	8 ^{d/}
Transport and communications	17.7	18.6	5	5	20
Housing	19.4 ^{e/}	25.5 ^{f/}	31	31	

a. Source 19.

b. See Appendix B.

c. Trade only.

d. Transport only.

e. Source 20.

f. Source 21.

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received a large and increasing share of investment funds, but in 1950-51 investment in the coal industry tended to level off, and an absolute decline is believed to have occurred in 1952 and 1953. ^{22/} The 23-percent increase in coal investment in the first half of 1954 is the largest rate of increase reported for this industry since 1949. The fact that even this heavy increase failed to fulfill the plan indicates a sharp reversal of investment policy in the coal industry.

The 16-percent increase reported for investment in the machine-building industry is the largest for any comparable period during the postwar years. This gain probably is due in part to investment in new or expanded plant and equipment required to produce machinery and equipment for implementation of the new consumer goods program.

The 18-percent increase reported for investment in the electric power industry is not far below the 21-percent rise in current ruble expenditures during 1954, but there are indications of considerable difficulty in carrying out the plan for increasing generating capacity during the Fifth Five Year Plan. A recent Soviet statement indicated probable downward revision of the 1955 goal for installed capacity from 100 percent over 1950 to 75 percent. ^{23/} Even the on-schedule completion of a number of large hydroelectric stations in 1955 -- which is doubtful -- would not make up for the underfulfillments of the first 3 years of the planning period. ^{24/} Expanded output of large hydroturbines and hydrogenerators has taken place at the expense of steam turbines and turbogenerators, and construction of smaller thermal electric plants appears to have been reduced in order to complete a series of large, costly hydroelectric projects.

Investment expenditures in current rubles in the light and food industry are scheduled in 1954 to rise by 84 percent, and nearly 40 percent of the total increase in industrial investment is allocated to this industry. In the first half of 1954 a 48-percent gain in investment volume over the same period of 1953 was reported, suggesting that only a part of this ambitious program will be fulfilled. Nevertheless, this rate of increase is 3.4 times the rate for the entire economy and 6 times the rate obtaining for this industry in 1953 and represents substantial progress toward the Soviet goal of higher consumption levels.

Expenditures on state urban housing were planned to increase from 19.4 billion rubles in 1953 to 25.5 billion rubles in 1954, an increase

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of 31 percent. The amount of housing space to be built was expected to increase from 28 million square meters in 1953 to 37.8 million square meters in 1954, a rise of 35 percent. ^{25/} The 6-month plan results indicate that the volume of investment expenditures increased by only 20 percent. Many industrial ministries, the communal bank (which is responsible for loans for private building), and local municipalities have been criticized, as in past years, for their failure to fulfill the housing plan.

It is doubtful whether total funds allocated for housing in 1954 will be used or total planned space completed.

IV. Labor Force and Labor Productivity.

The fulfillment of industrial output goals in the first half of 1954 (as in 1953) required above-plan increases in the labor force to compensate for failures to meet labor productivity targets. Soviet labor force figures for 1952-54 are shown in Table 8.* Table 8 shows that the 1955 goal of 45 million workers and employees in the national economy has already been surpassed. While a part of this increase is due to a bookkeeping transfer of collective farmers to the category of state agricultural workers, the 5-year target will be exceeded this year even after deduction of this group. The Fifth Five Year Plan goal for the industrial labor force was exceeded in 1953.**

The Fifth Five Year Plan called for 13-percent increases in both the industrial labor force and the total labor force. Since this rate of increase is less than the rate of increase in working-age population during the same period, a declining rate of labor participation by young persons, old persons, and women evidently was intended. Expanded educational programs indicate declining labor participation by young persons. The overfulfillment of labor force goals, therefore, in 1953 and the first half of 1954 must have been achieved by heavier employment than foreseen of women and older persons. These unplanned "increases" are enabling the USSR to meet industrial output targets, despite failure to fulfill plans for increased output per worker.

* Table 8 follows on p. 23.

** Soviet annual plan fulfillment reports regularly give absolute figures for the numbers of workers and employees in the national economy but not for those in industry alone. Changes in industrial employment are computed from data on changes in gross industrial output and industrial labor productivity.

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Table 8

Civilian Labor Force in the USSR
1952-54

	Millions					
	1952		1953		1954	
	Jan	Jul	Jan	Jul	Jan	Jul
Collective farm workers a/	48.1	49.0	49.5	49.5	48.6	48.4
Workers and employees b/	40.8	41.5	41.7	42.4	44.8	46.6
Nonagricultural c/	37.9	38.6	38.7	39.4	40.3	41.3
State agricultural a/	2.9	2.9	3.0	3.0	4.5	5.3
Total labor force	<u>88.9</u>	<u>90.5</u>	<u>91.2</u>	<u>91.9</u>	<u>93.4</u>	<u>95.0</u>

a. The 1954 figures are estimated from a recent report 26/ and plan fulfillment data. For these data, see introductory remarks in Appendix C.

b. The July figures are obtained from sources listed in introductory remarks in Appendix C. For the seasonal adjustments required, see source 27/.

c. Obtained by subtracting state agricultural workers from workers and employees.

Official Soviet data on labor productivity, like those on gross industrial output, are difficult to analyze, for similar reasons. They are of significance as indicators of trends and as the data by which Soviet planners measure and project. Increases in industrial labor productivity during the Fourth Five Year Plan were 13 percent in 1947, 15 percent in 1948, 13 percent in 1949, and 12 percent in 1950. Comparable data for the Fifth Five Year Plan period are shown in Table 9.*

The increases of the first half of 1954, if they are maintained throughout this year, will reverse the declines in the rate of growth which have thus far characterized the Fifth Five Year Plan. The 1955 goals of a 50-percent increase in industry and a 55-percent gain in construction, however, will not be met. These goals have in fact been abandoned. A compounding of increases since 1950 shows that labor productivity during the first 3 years increased by 25 percent.

* Table 9 follows on p. 24.

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Table 9

Annual Increases in Labor Productivity
 in Industry and Construction
 in the USSR a/
 1951-54

<u>Year</u>	<u>Percent</u>	
	<u>Industry</u>	<u>Construction</u>
1951	10	9.5
1952	7	7
1953	6	4
1954 b/	7.5	7

a. For sources, see introductory remarks in Appendix C.

b. Half-year rate.

in industry and 22 percent in construction. Achievement of the original 1955 goals would therefore require, during 1954 and 1955, annual gains of 10 percent and 13 percent, respectively, whereas the explicit targets for 1954 are 8.3 percent and 8.6 percent, ^{28/} indicating that no hopes are entertained of making up the ground lost in 1952-53.*

Table 8 indicates that the shift of workers to agriculture required by the new economic policy is being successfully carried out. Present estimates indicate that total agricultural employment is now about 5 percent greater than at the end of 1951, with nearly all the increase occurring in the state sector. The most significant feature of this increment has been the sending of more than 1 million workers in the past year from other sectors of the economy to state farms and machine tractor stations, where many of them will bring advanced skills to such key problems as agronomic techniques, mechanization, and animal husbandry. In an innovation in Soviet labor policy, two-thirds of the 1954 graduates of trade schools have been assigned to agriculture.

* It is interesting to note that the 1954 rates are those which, if achieved every year for 5 years, would result in compound increases of 50 and 55 percent, exactly those specified in the Fifth Five Year Plan.

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S-E-C-R-E-TV. Trade.A. Domestic.

Despite candid Soviet admissions that the demand for certain consumer goods is not being met satisfactorily in some areas of the USSR, state and cooperative retail trade increased 21 percent (in comparative prices) in the first 6 months of 1954 over the same period of 1953. Trade in the rural areas, which is handled by the consumer cooperatives, increased 32 percent over the same period. Since only a 15.5-percent increase over 1953 was planned for 1954, maintenance of a 21-percent increase would mean a significant overfulfillment of the plan. In fact, however, the 21-percent increase achieved during the first half-year is not so great as it initially appears. As indicated in Table 10, this increase is actually the result of a 30-percent increase reported for the first quarter of 1954 over the same period of 1953, which does not reflect a comparatively greater volume of trade to be expected for 1954 but rather reflects the small base upon which the increase was computed. Thus, because of the larger base of comparison, the estimated increase of 12 percent during the second quarter of 1954 is probably more indicative of the rate to be expected for the second half of 1954.

Table 10

Increases in Retail Trade Turnover in the USSR
1953-54

Year	First	Second	First	Third	Fourth	Second	Percent
	Quarter	Quarter	Half	Quarter	Quarter	Half	Annual
1953 over 1952	7 a/	24 a/	15.5 b/	25 a/	28 a/	26 c/	21 c/
1954 over 1953	30 a/	12 b/	21 d/	10 b/	10 b/	10 b/	15.5 a/

a. Source 29/.

b. Estimated.

c. Source 30/.

d. Source 31/.

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Fulfillment of the 1954 plan should be attained easily, since an increase of only 10 percent is necessary to meet the planned goal of 15.5 percent. Supplies of foodstuffs, especially meat products and animal fats, which admittedly are in short supply, could be expected to be more plentiful in the second half because of slaughterings which take place in the last quarter. Despite the numerous price reductions announced in the postwar years, however, prices of food and industrial commodities remain 14 and 27 percent, respectively, above 1940. 32/

The 1955 goal of a 100-percent increase over 1950 in retail trade turnover 33/ will probably be achieved and even surpassed. Capital investment in trade, which is planned at 4 billion rubles for 1954, 34/ is proceeding above plan. Although production of individual commodities is increasing, more expensive commodities, which constitute a greater portion of the total, are a strong factor favoring the fulfillment of the plan. Table 11* shows data on increases in retail turnover in state and cooperative markets.

As indicated by Table 11, sales of most individual food and manufactured commodities appear to be progressing above the scheduled Fifth Five Year Plan goals. The greatest percentage increases for the first 6 months of 1954 are reported for sales of consumer durable items -- washing machines, 900 percent; vacuum cleaners, 300 percent; refrigerators, 200 percent; and television sets, over 100 percent. Since these are still high-priced luxury items, large percentage increases in sales do not reflect comparable absolute increases, because of the previous low bases of comparison.

A comparison of increases in production and sales of individual commodities, as shown in Table 12,** indicates quite clearly that the 21-percent increase in trade turnover reported for mid-1954 was not achieved by production increases alone. The disparities between production and sales may be caused by several factors -- (1) upgrading and repricing of goods, (2) greater weight of more expensive commodities, (3) emphasis on higher quality production, (4) clearance sales of goods carried over from the previous year, and (5) funneling of a higher percentage of total trade through state trade channels than in the past. Imports and releases from state reserves may have made up deficits in some commodities.

* Table 11 follows on p. 27.
** Table 12 follows on p. 28.

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Table 11

**Increases in State and Cooperative Retail Trade Turnover in the USSR
in the Fifth Five Year Plan Period (1951-55) a/**

Commodity	Index (1950 = 100)				Rate of Annual Increase Achieved		
	1951	1952	1953	1955 Goal	Required	First Half of 1954 over First Half of 1953	
Meat	132	145.2	197.5	230	8	30	
Fish	114	128.8	139.1	210	23	24	
Butter	110	128.7	175.0	190	4	28	
Vegetable oils	114	133.4	158.7	260	30	13	
Sugar	129	162.5	199.9	230	8	14	
Clothing	114	126.5	163.2	240	23	24	
Furniture	150	180.0	250.2	400	28	37	
Bicycles	186	230.6	267.5	550	44	29	
Sewing machines	129	157.4	210.9	510	56	31	
Watches	115	138.0	190.4	260	17	36 b/	
Total trade	115	126.5	153.1	200	15	21	

a. Compounded on the basis of reported annual percentage increases. For sources, see introductory remarks in Appendix C.

b. Watches and clocks.

5. WAVES AND SOUNDS

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Table 12

Increases in the Production and Sales of Consumer Goods in the USSR
During the First Half of 1954 a/

First Half of 1953 = 100

Commodity	Production	Sales
Meat and sausage	102	130
Fish	113	124
Dairy products	110	121
Vegetable oils	117	113
Confectionery	105	114
Tea	114	119
Cotton fabrics	103	119
Silk fabrics	157	145
Woolen fabrics	119	156
Hosiery	110	131
Leather footwear	110	115
Radio receivers	207	200+
Television receivers	288	200+
Phonographs	132	133
Refrigerators	316	300+
Vacuum cleaners	449	400+
Sewing machines	125	131
Watches and clocks	129	136
Cameras	142	153
Furniture	128	127
Bicycles	130	125
Motorcycles	166	165
Automobiles	127	176

a. For sources, see introductory remarks in Appendix C.

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There is little doubt that fulfillment of the planned increase in trade turnover depends, to a significant degree, on fulfillment of plans for increasing the share of more expensive goods in the trade turnover index. This is being done not only by bettering the quality of mass consumer goods and by increasing the volume of luxury goods (such as radio and television sets, watches, and appliances) available to the population but also probably by the simple expedient of upgrading. Cumulatively, those factors which result in the marketing of a proportionately greater percentage of more expensive goods are probably responsible for a significant portion of the increase in trade turnover and are to be held accountable for most of the difference between increases in production and trade of the various commodities.

Since mid-1953 the USSR has attempted to channel more trade through the state trading network. Commission sales were begun in an effort to induce farmers to sell their surplus produce to cooperatives at higher than contract and obligatory deliveries, which ostensibly would reduce trade turnover on the collective farm market. This plan has not been very successful, and trade organizations have been severely criticized because of it. In fact, the omission of reference to the collective farm market in the mid-year report may indicate that trade is at a level higher than that desired by the government. A recent decree raising procurement prices for potatoes, fruits, and vegetables in the off-season may be an added inducement for farmers not only to store their produce for sale during the off-season but also to sell through state channels.

As a result of trade pacts concluded with a number of countries after the death of Stalin, increased imports of foodstuffs were noticeable during the last quarter of 1953 and continuing into 1954. Although the total Soviet imports of consumer goods probably represent less than 1 percent of estimated domestic sales of consumer goods in the USSR, increased sales of goods -- especially meat, butter, fats, and other foodstuffs -- are probably related to imports.

There is some evidence which indicates that food supplies in the state markets were bolstered by releases from stockpiles. A report of 22 January 1954 ^{35/} stated that substantial quantities of canned foods, including corn, peas, and several kinds of fish, were appearing in the retail food stores of Moscow. The foods were packed in tin cans which had been treated with heavy grease, and the labels were faded and stained, indicating that they were much older than most other canned foods on display and therefore may ^{have} been withdrawn from reserve food stocks.

S-E-C-R-E-T**B. Foreign.**

Soviet foreign trade in the first half of 1954 increased 30 percent over the same period of 1953. Although it is not known whether this 30-percent increase refers to trade with the Free World, with other Soviet Bloc countries, or with both, there is good evidence that Soviet foreign trade increased appreciably in 1954. Estimates of the value of Soviet trade turnover with the Free World in the first quarter of 1954 indicate a large increase, about 70 percent, over the same period of 1953. As shown in Table 13, however, the base of comparison was relatively low.

Table 13

Trade of the USSR with the Free World a/
January-March 1952-54

	Million	Current US \$	
	<u>1952</u>	<u>1953</u>	<u>1954</u>
Soviet imports	135.0	83.0	150.4
Soviet exports	132.7	67.1	109.9
Total	<u>267.7</u>	<u>150.1</u>	<u>260.3</u>

a. Constructed primarily from "value series" information prepared by the International Economic Analysis Division, Bureau of Foreign Commerce, Department of Commerce.

The increase in Soviet - Free World trade turnover in the first quarter of 1954 is undoubtedly the continuation of a trade spurt evidenced during the latter half of 1953 and related to the large number of trade pacts concluded after the death of Stalin. Trade was especially active with those countries which had negotiated to export foodstuffs to the USSR. For example, Danish exports to the USSR during the last quarter of 1954 consisted almost entirely of meat and other food products; Dutch exports were large in butter; and Norwegian exports included herring and hardened fats.

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Based on the estimated 70-percent increase in the first quarter of 1954, an annual increase of 30 percent could be maintained in Soviet - Free World trade turnover. In implementing such an increase, however, the USSR probably would be confronted with the problem of a large trade deficit in 1954.

VI. Transport.

Rail traffic* in the USSR, which accounts for an estimated 85 percent of all Soviet freight, increased in the first half of 1954 over the first half of 1953. Planned output was not fulfilled. As evidenced by the declining growth trend in the Fifth Five Year Plan, the rate of expansion has been slowed down because of a shortage of freight cars, especially those suitable for carrying coal, ores, and other bulk materials. Because of the high rate of expansion in earlier years of the Fifth Five Year Plan, the scheduled increase of 35 to 40 percent in rail traffic over 1950 36/ will be achieved in 1955. A 36-percent increase over 1950 is likely in 1954, despite an estimated increase of only 4.5 to 5 percent over 1953, making overfulfillment of the lower limits of the planned goal a certainty. Table 14** shows the growth of railroad transport in the Fifth Five Year Plan.

Although shipment plans in the first half of 1954 were fulfilled for oil, coke, iron and steel and scrap, grain, and numerous agricultural and other manufactured products, plans for loading coal, timber, building materials, and ore were not met. (The goal for loading coal was underfulfilled by 3 million tons.) Since these are the four largest items in Soviet railroad traffic and since they are all shipped in gondola or hopper cars, it is evident that these cars are in short supply. Coke and scrap are shipped in gondolas, but shortages to carry coal and ore may have resulted in greater than normal demand for scrap to make up for pig iron not produced, since more steel would result from carrying scrap than from carrying ore and the coal with which to smelt it. It is quite possible that underfulfillment of the construction plan for the first half of 1954 can be partially linked to the underfulfillment of shipping plans for timber and building materials. Although underfulfillment of the coal-loading plan was a definite transport failure, it is less than 2 percent of Soviet coal production. A contributing factor may have been

* No consideration is given to highway and air transport, which account for less than 5 percent of all Soviet freight traffic.

** Table 14 follows on p. 32.

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Table 14

Increases in Railroad Freight Traffic a/
 in the USSR
 1951-55

Year	Annual Increase (Percent)	Index (1950 = 100)
1951	12.0	112.0
1952	9.0	122.0
1953	7.0	130.5
1954	4.5 b/	136.3
1955 Plan		135.0 to 140.0

a. Gruzooborot (freight turnover) is believed to refer to traffic, measured in ton-kilometers. The increase reported in 1953 may, however, have reflected tons originated.

b. Figured on the basis of the 6-percent increase in average daily carloadings and fulfillment of average carload plan by only 99.7 percent reported at mid-year. For sources, see introductory remarks in Appendix C.

the past severe winter, which not only delayed trains but also may have caused more than normal freezing of coal to cars in transit, which creates unloading problems.

The present shortage of freight cars may indirectly stem from the Kremlin order to cut car output in 1951, which reduced 1952 and 1953 deliveries. The plan for freight car output was probably increased in 1953, when shortages began to develop for certain types of cars, principally gondola, hopper, and refrigerator cars. Thus the underfulfillment of the mid-year plan for freight car production in 1954 probably refers to a new revised plan, with higher goals. It is believed that a large reserve of laid-up cars exists in the USSR, but these are mainly old 2-axle boxcars which are ill suited for transporting coal, ores, and other bulk commodities.

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The volume of rail traffic in the first 6 months of 1954 was the heaviest in Soviet history. Although the average daily carloading plan was overfulfilled, the average load per car was not up to plan. Since average load per car is already high, large increases could hardly be expected. Two factors may possibly explain failure to meet the plan: (1) pressing into service of old 2-axle cars, which would reduce tonnage per car because of their smaller size, and (2) increased shipments of consumer goods and manufactures, which weigh less per car-load than raw materials.

Extensive investment in heavy locomotives and freight cars is scheduled for the near future, together with improvement in traffic control equipment. Delivery of needed equipment in quantity, however, will not take place before the end of 1955, and it is expected, therefore, that heavy bulk commodities will not move in the desired amounts. Nevertheless, a moderate rate of traffic growth, probably about 5 percent, is expected through 1955.

It is estimated that river and sea transport contribute about 6 and 5 percent, respectively, the total ton-kilometers of traffic carried in the USSR. Only 91 percent of the freight turnover plan was fulfilled in the first half of 1954. A 4-percent increase in freight turnover during the first half of 1954 over the first half of 1953 was announced, but this rate is well below the annual increases needed to fulfill 1955 goals, as shown in Table 15. The

Table 15

Increases in River and Sea Freight Traffic in the USSR
1951-55

	Annual Increases				Percent
	1951	1952	1953	1954 a/	1955 over 1950
River Transport	13	12	4 b/		75 - 80
Sea Transport	8	9	10	4 b/	55 - 60

a. For sources, see introductory remarks in Appendix C.

b. It is assumed that the 4-percent increase was equal for both river and sea transport.

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severe winter was partially responsible for plan underfulfillment for river and sea transport since the opening of some main river arteries, including the Volga, as well as of some sea lanes was delayed by as much as 2 weeks.

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APPENDIX A

TARGETS FOR THE PRODUCTION OF PROCESSED FOODS
IN THE USSR IN 1954

Soviet goals for 1954 for a number of important food products were given in the joint decree of the Soviet Council of Ministers and the Party Central Committee "On the Expansion of Output of Foodstuffs and Improvement in Their Quality," published in the Soviet press on 30 October 1954. ^{37/} In most cases these targets, which refer only to state production, were given both in absolute terms and as percentages of 1950 production.

The increase in production required in 1954 over 1953 can be computed by compounding the increases reported since 1950 to reach a 1953 figure in terms of 1950, which can then be compared with the 1954 plan in terms of 1950. The increases are shown in Table 16.

Table 16

Increases in the Production of Selected Food Products
in the USSR
1951-54

Product	Indexes (1950 = 100)				Increase Required 1954 over 1953 (Percent)
	1951 a/	1952 a/	1953 a/	1954 Plan	
Meat	112	129	144	174	21
Milk products	144	151	165	200	21
Cheese	120	138	160	200	25
Animal fats	106	110	114	149	31
Vegetable oil	112	122	142	167	18
Sugar	118	122	136	193	42
Confectionery	116	130	142	159	12

a. Obtained by compounding annual increases given in plan fulfillment reports. For sources, see introductory remarks in Appendix C.

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APPENDIX B

NOTES ON CAPITAL INVESTMENT IN THE USSR

In Table 17 is set forth a comparison of annual and mid-year rates of increase in the volume of capital investment in order to provide a basis for judging the probability that half-year rates will approximate annual rates.

Table 17

Rates of Annual Increase in Capital Investment
in the USSR a/*
1947-49 and 1953

Percent

Year	First Half Year	Year
1947		
Total investment	6	10
Coal	6	9
Electric power	3	4
Light and food	25	30
1948		
Total investment	26	23
Coal	24	29
Electric power	13	20
Light and food	24	32
Metallurgy	28	31
Machine building	11	15
Transport	26	11
Housing	42	36

* Footnote for Table 17 follows on p. 38.

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Table 17

Rates of Annual Increase in Capital Investment
 in the USSR a/
 1947-49 and 1953
 (Continued.)

Year	Percent	
	First Half Year	Year
1949		
Total investment	24	20
Electric power	37	39
Metallurgy	21	18
Machine building	14	10
Construction materials	23	12
Transport	32	32
Housing	38	26
1953		
Total investment	4	4
Light and food	8	8

a. For sources, see introductory remarks in
 Appendix C.

In Table 17 the mid-year increase is within 3 percent of the annual increase in about one-half of the cases and within 5 percent of the annual increase in more than three-quarters of the cases.

The Fifth Five Year Plan for capital investment is as follows:

... to increase the total volume of state capital construction during 1951-55 approximately 90 percent, but to increase state allocations for this construction only approximately 60 percent, as compared with the Fourth Five Year Plan, covering the difference of 30 percent through lowering the cost of construction by way of increased labor productivity, lowered overhead expenditures, and lowered prices of building materials and equipment. 38/

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Since increases in the volume of investment, as given in the periodic plan fulfillment reports, are measured in constant terms (1945 prices), annual and cumulative investment volumes can be related. The results are presented in Table 18, which shows that, if 1946 investment equals 100, total investment in the years of the Fourth Five Year Plan was 707.5; that the goal for the Fifth Five Year Plan is therefore 1,344.3; that 54 percent of this goal had been accomplished by the end of 1953; and that, if the investment increase of 14 percent is maintained throughout 1954, a further gain of 8.6 percent will be required in 1955 to reach the target of the Fifth Five Year Plan.

Table 18

Increases in the Volume of Centralized Capital Investment
in the USSR a/
1946-55

Year	<u>Annual Increase</u>	<u>Indexes (1946 = 100)</u>	
		<u>Annual</u>	<u>Cumulative b/</u>
1946	17	100	100
1947	10	110	210
1948	23	135.3	345.3
1949	20	162.4	507.7
1950	23	199.8	707.5
1951	12	223.7	223.7
1952	11	248.3	472.0
1953	4	258.3	730.3
1954	14 c/	294.4	1,024.7
1955	8.6 d/	319.6	1,344.3

a. For sources, see introductory remarks in Appendix C.
 b. Through Five Year Plan period (1951-55).
 c. Half-year rate.
 d. Needed, if 14-percent rate is maintained through 1954, to reach the target of Fifth Five Year Plan.

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APPENDIX C

SOURCES AND EVALUATION OF SOURCES

This report is based upon Soviet plan fulfillment reports, issued quarterly through 1952 and semiannually thereafter, and on CIA analyses of the mid-1954 report.

All data in this report, unless otherwise indicated, are taken from the annual and semiannual Soviet plan fulfillment reports. These reports appeared in the Soviet press on the following dates: 21 Jan 1947, 18 Jan 1948, 20 Jan 1949, 18 Jan 1950, 27 Jan 1951, 29 Jan 1952, 23 Jan 1953, 17 Jul 1953, 31 Jan 1954, and 23 Jul 1954. Translations of these reports, beginning with the annual report for 1948, appear in the following numbers of the Current Digest of the Soviet Press: 1948 annual: Vol. I, No. 4; 1949 annual: Vol. II, No. 4; 1950 annual: Vol. III, No. 3; 1951 annual: Vol. IV, No. 3; 1952 annual: Vol. V, No. 2; 1953 semiannual: Vol. V, No. 27; 1953 annual: Vol. VI, No. 5; 1954 semiannual: not published as of Vol. VI, No. 27.

All Soviet newspapers, books, and journals are considered to be highly reliable. Although the FBIS publications are primarily translations, slight errors in broadcast intercept and subsequent translation make them slightly less reliable sources than the originals.

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

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"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer; all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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2. Ibid.
3. Daily Report, 24 Jun 1954, p. CC 43. U (for official use only).
4. Ibid., 23 Jul 1954, p. BB 13.
5. Ibid., 24 Jun 1954, p. CC 13.
6. Ibid., 17 Aug 1954, pp. CC 1-3. U (for official use only).
7. Pravda, 20 Aug 1952. U. Eval. RR A-2.
8. Izvestiya, 21 Mar 1954. U. Eval. RR A-2.
9. Ibid., 16 Sep 1953. U. Eval. RR A-2.
10. [REDACTED]
11. Izvestiya, 26 Sep 1953. U. Eval. RR A-2.
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13. Pravda, 20 Aug 1952. U. Eval. RR A-2.
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16. Kommunist, May 1954, p. 42. U. Eval. RR A-2.
17. CIA RR IM-401, The 1954 Soviet Budget, 15 Nov 1954. S.
18. Ibid.
19. Pravda, 22 Apr 1954. U. Eval. RR A-2.
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30. Pravda, 31 Jan 1954. U. Eval. RR A-2.
31. Daily Report, 23 Jul 1954, p. BB 17. U (for official use only). Eval. RR B-2.
32. Ibid., 28 Apr 1954, p. CC 13. U (for official use only). Eval. RR B-2.
33. Ibid., 26 Oct 1953, p. AA 3. U (for official use only). Eval. RR B-2.
34. Planovoye Khozyaystvo, No. 3, 1954, p. 17. U. Eval. RR A-2.
35. State, Moscow Despatch No. 252, 22 Jan 1954. S. Eval. RR 2.
36. Pravda, 20 Aug 1952. U. Eval. RR A-2.
37. Ibid., 30 Oct 1953. U. Eval. RR A-2.
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